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FISCAL IMPACT STATEMENT

LS 6629

BILL NUMBER: SB 239

NOTE PREPARED: Jan 17, 2006

BILL AMENDED:

SUBJECT: Slot Machines.

FIRST AUTHOR: Sen. Lutz L

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill requires that live horse racing be conducted at least 160 days each year at a permit holder's racetrack. The bill terminates payments from the Riverboat Admissions and Wagering Taxes to the Horse Racing Commission after June 30, 2007.

The bill authorizes 500 slot machines for each racetrack and each satellite facility and imposes an annual license fee equal to \$100 per slot machine. The bill provides that a permit holder who is issued a license to offer slot machines forfeits the privilege of opening a satellite facility that is otherwise permitted by statute.

Effective Date: July 1, 2006.

Explanation of State Expenditures: *Indiana Gaming Commission (IGC):* The bill requires the IGC to regulate and administer slot machine operations at Hoosier Park, Indiana Downs, and five OTBs located around the state. (The existing OTBs are located in Clarksville, Evansville, Ft. Wayne, Indianapolis, and Merrillville.) The regulatory responsibilities include investigation and licensing of owners of the slot machine facilities and suppliers of slot machines. The IGC would incur additional administrative expenses as a result of these new responsibilities. However, the bill does not fund these costs. While the bill provides that licensees pay annual license fees and pay the cost of any investigation by the IGC relating to the licensee, the bill requires this money to be deposited in the state General Fund.

Penalties: The bill establishes a Class D felony for various types of violations at slot facilities. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances. The average expenditure to house an

adult offender was \$20,977 in FY 2005. (This does not include the cost of new construction.) If offenders can be housed in existing facilities with no additional staff, the average cost for medical care, food, and clothing is approximately \$1,825 annually, or \$5 daily, per prisoner. The estimated average cost of housing a juvenile in a state juvenile facility was \$62,292. The average length of stay in the Department of Correction's facilities for all Class D felony offenders is approximately ten months.

Explanation of State Revenues: *Slot Machine License Fee:* The bill authorizes the operation of slot machines at Hoosier Park, Indiana Downs, and five OTBs opened prior to January 1, 2006, provided the race track owner licensed to operate slot machines agrees to forfeit the privilege of opening any new OTBs. The bill limits the number of slot machines at each horse race track and OTB to 500. The initial license for a parimutuel permit holder to operate slot machines is effective for five years, with annual renewal thereafter. The bill imposes an annual license fee on the licensee equal to \$100 per slot machine in service. Revenue from the fee is to be distributed to the state General Fund. The bill authorizes a total of up to 3,500 slot machines at the racetracks and OTBs. If 3,500 slot machines are placed into service, the fee would generate \$350,000 annually.

The bill also requires licensees to reimburse the IGC for the cost of any investigation of the licensee. The bill distributes the investigation cost reimbursement money to the state General Fund.

Existing Riverboat Admission Tax to Horse Racing: The bill maintains the current distribution of Riverboat Admission Tax revenue and supplemental Admission Tax replacement money from the Property Tax Replacement Fund (PTRF) to the Indiana Horse Racing Commission (IHRC) through the end of FY 2007. Beginning in FY 2008, Admission Tax revenue that would otherwise be distributed to the IHRC is to be distributed to the state General Fund. The bill also eliminates the supplemental Admission Tax replacement payment from the PTRF to the IHRC for FY 2008 and after. Thus, the last supplemental payment would be made in FY 2009 to cover FY 2008 Admission Tax shortages or FY 2008.

Under current statute, \$0.65 per \$3.00 Admission Tax paid is distributed to the IHRC for purses, horsemen's associations, breed development, and the race track subsidy. This annual distribution is guaranteed at \$27.2 M, with the supplemental payment from PTRF making up the difference between the guarantee amount and actual Admission Tax collections. The supplemental payment is made in the fiscal year following the fiscal year of the shortage. In FY 2005 approximately \$17.4 M in Admission Tax collections was distributed to the IHRC. Thus, the supplemental payment from PTRF for the FY 2005 shortage totaled approximately \$9.8 M.

Supplier's License Fee: The bill provides for a slot machine supplier's license. The annual fee for a supplier's license would be \$5,000. The bill requires a person to obtain a supplier's license to furnish slot machines to the horse race tracks and OTBs. The bill also requires licensees to reimburse the IGC for the cost of any investigation of the licensee. The bill distributes the license fee revenue and investigation cost reimbursement money to the state General Fund.

Penalties: The bill makes it a Class A misdemeanor for a person to knowingly or intentionally aid, induce, or cause a person less than 21 years of age and who is not an employee of a slot machine facility to enter or attempt to enter the facility. It also makes it a Class A misdemeanor for a person who is less than 21 years of age and who is not an employee of a slot machine facility to knowingly or intentionally enter or attempt to enter the facility. The bill also establishes a Class D felony for various types of cheating at slot facilities. If additional court cases occur and fines are collected, revenue to both the Common School Fund and the state General Fund would increase. The maximum fine for a Class A misdemeanor is \$5,000. Criminal fines are

deposited in the Common School Fund. If the case is filed in a circuit, superior, or county court, 70% of the \$120 court fee that is assessed and collected when a guilty verdict is entered would be deposited in the state General Fund. If the case is filed in a city or town court, 55% of the fee would be deposited in the state General Fund.

Explanation of Local Expenditures: *Penalties:* A Class A misdemeanor is punishable by up to one year in jail. And, if more defendants are detained in county jails prior to their court hearings, local expenditures for jail operations may increase. The average daily cost to incarcerate a prisoner in a county jail is approximately \$44.

Explanation of Local Revenues: *Penalties:* If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from the following sources: (1) The county general fund would receive 27% of the \$120 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. (2) A \$3 fee would be assessed and, if collected, would be deposited into the county law enforcement continuing education fund. (3) A \$2 jury fee is assessed and, if collected, would be deposited into the county user fee fund to supplement the compensation of jury members.

State Agencies Affected: Indiana Gaming Commission; Indiana Horse Racing Commission; Department of State Revenue; Department of Correction.

Local Agencies Affected: Trial courts, local law enforcement agencies; All local units.

Information Sources: Indiana Sheriffs' Association; Department of Correction.

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